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RESEARCH ARTICLE

A Comparative Analysis of GAAP (USA) and IFRS (Europe): Evaluating the Need Global Accounting Standards (GAS)

MD Miraj Hossen Khan*

Independent Researcher, University of Dhaka, Bangladesh

Abstract

This study presents a comprehensive comparative analysis of Generally Accepted Accounting Principles (GAAP) used in the United States and International Financial Reporting Standards (IFRS) predominantly applied across Europe. Using secondary data from 2020–2024, the research evaluates both frameworks across multiple dimensions including economic performance, financial transparency, audit quality, fair value measurement, ESG disclosure, taxation transparency, cyber security reporting, and digital transformation. The findings reveal that while GAAP demonstrates strong regulatory enforcement and audit control, IFRS offers superior global comparability, flexibility and ESG integration. Based on identified strengths and weaknesses, the study proposes the development of a hybrid Global Accounting Standard (GAS) that integrates the rule-based rigor of GAAP with the principle-based adaptability of IFRS. Such a framework could enhance international financial transparency, investor confidence and regulatory consistency.

Key Words: *GAAP; IFRS; Global Accounting Standards (GAS); Financial reporting; Transparency; ESG; Digital accounting*

1. Introduction

Accounting standards play a critical role in ensuring transparency, comparability, and reliability in financial reporting. Among the various accounting frameworks worldwide, GAAP and IFRS represent the two most influential systems. GAAP follows a predominantly rule-based approach enforced by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB), while IFRS adopts a principle-based methodology governed by the International Accounting Standards Board (IASB) [1,2].

In an era marked by globalization, digital transformation, and increasing ESG accountability, the coexistence of divergent accounting standards poses challenges for multinational corporations, investors, and regulators. Differences in revenue recognition, asset valuation, disclosure requirements, and audit enforcement often result in reduced comparability and increased compliance costs.

Corresponding Author: *MD Miraj Hossen Khan, Independent Researcher, University of Dhaka, Bangladesh; E-mail: alimiraj674@gmail.com*

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This paper seeks to reassess the effectiveness of GAAP and IFRS by conducting a structured comparative analysis from 2020 to 2023 and evaluating the necessity of introducing a Global Accounting Standard (GAS) capable of addressing existing limitations in international financial reporting.

2. Literature Review

Previous studies highlight that GAAP provides higher legal certainty and audit reliability due to its detailed rules, whereas IFRS enhances cross-border comparability and adaptability [3,4]. Recent literature emphasizes the growing importance of ESG disclosure, cybersecurity reporting, and digital accounting practices, areas where traditional standards face increasing pressure to adapt.

However, existing studies largely treat digital transformation as an implementation-level challenge, with limited attention to its implications for the structural design of global accounting frameworks. This research addresses this gap by integrating technological, regulatory and economic dimensions into a unified comparative model [5].

3. Methodology

This study employs a comparative analytical methodology based on secondary data collected from authoritative sources such as the World Bank, SEC, ESMA, IASB, PCAOB, and published academic journals [6].

Study period: The analysis covers a four-year period from 2020 to 2023.

3.1. Analytical dimensions

3.1.1. The evaluation is conducted across four major dimensions: Economic performance, financial transparency, structural and operational flexibility, cybersecurity and technological modernization.

3.2. Data analysis tools

Descriptive statistics, ratio analysis, and graphical representations (tables and bar charts) are used to compare trends under GAAP and IFRS.

4. Comparative Analysis and Results

4.1. Economic performance comparison (2020–2024)

Table 1 presents a comparative analysis of GDP levels and annual growth rates for the USA (reported under GAAP) and Europe (reported under IFRS) from 2020 to 2024, showing a sharp contraction in 2020 followed by strong post-pandemic recovery, with the USA exhibiting consistently higher GDP values and growth momentum than Europe over the period [7-10].

Table 1: *GDP and growth rates under GAAP and IFRS (2020–2024).*

Year	USA GDP (GAAP) $T	Europe GDP (IFRS) $T	USA growth %	Europe growth %
2020	21.32	15.38	-0.92	-5.6
2021	23.59	17.32	10.65	6
2022	25.74	16.76	9.11	3.5
2023	27.36	18.35	6.28	0.4
2024	28.1	18.9	5.1	1.2

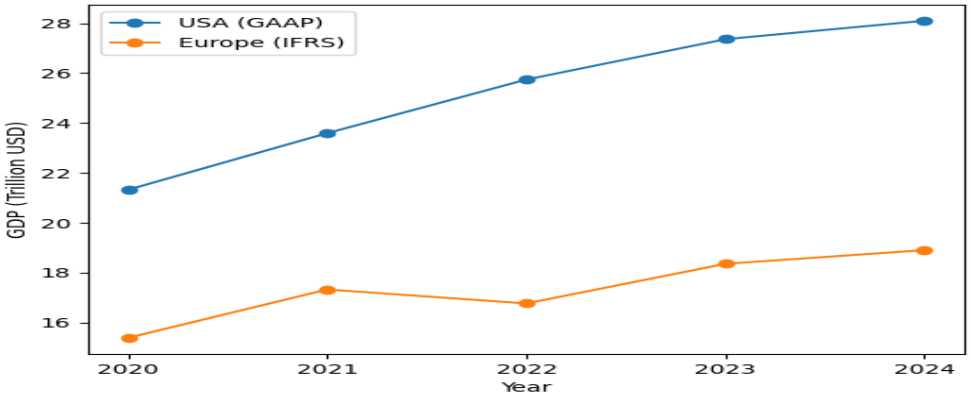

Figure 1: *Comparative GDP growth trends (2020–2024) interpretation.*

GAAP-based reporting reflects a stronger post-pandemic recovery, while IFRS economies demonstrate greater volatility but improved long-term stability [11] [Figure 1].

4.2. Financial transparency assessment

Table 2 presents a comparative overview of key transparency indicators for 2024 under GAAP (USA) and IFRS (Europe), highlighting higher audit deficiency rates and stronger ESG adoption in the USA, while political transparency scores remain relatively close between the two regions, with a slight advantage for the USA.

Table 2: Transparency indicators.

Indicator (2024)	GAAP (USA)	IFRS (Europe)
Audit deficiency rate	26%	11%
ESG adoption rate	92%	80%
Political transparency index	69%	65%

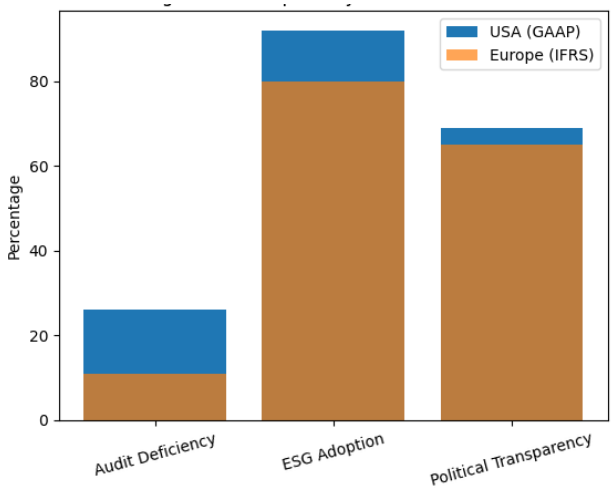

Figure 2: *Transparency indicator comparison.*

Interpretation: IFRS outperforms GAAP in audit quality and ESG adoption, whereas GAAP benefits from stronger enforcement mechanisms [Figure 2].

4.3. Structural and operational flexibility

Table 3 presents a comparative assessment of flexibility indicators under GAAP and IFRS, showing that IFRS provides greater flexibility through extensive fair value usage, higher disclosure flexibility, and stronger tax transparency, whereas GAAP remains more restrictive across these dimensions.

Table 3: Flexibility indicators.

Metric	GAAP	IFRS
Fair value usage	Limited	Extensive
Disclosure flexibility	Low	High
Tax transparency	Moderate	High

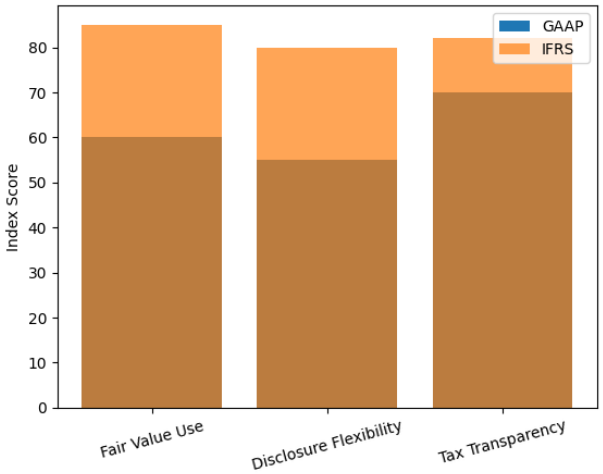

Figure 3: *Structural flexibility comparison.*

Interpretation: IFRS demonstrates higher adaptability to market conditions, while GAAP ensures consistency through prescriptive rules [Figure 3].

4.4. Cyber security and digital transformation

Table 4 presents a comparison of technology and cyber disclosure rates for 2023 under GAAP (USA) and IFRS (Europe), indicating that while the USA reports higher cyber disclosure levels, Europe demonstrates slightly greater adoption of digital and AI technologies.

Table 4: Technology and cyber disclosure rates.

Year 2023	Cyber disclosure	Digital & AI adoption
GAAP (USA)	70%	93%
IFRS (Europe)	65%	96%

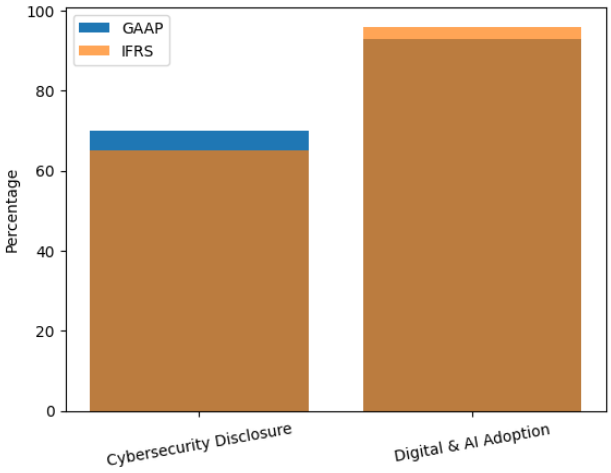

Figure 4: *Digitalization and cybersecurity trends.*

Interpretation: IFRS slightly leads in digital adoption, while GAAP maintains clearer cyber security disclosure mandates [Figure 4].

5. Discussion

The findings indicate that neither GAAP nor IFRS independently satisfies the evolving demands of global financial reporting. GAAP excels in enforcement, audit reliability and legal clarity but suffers from rigidity and limited global applicability. IFRS promotes flexibility, fair value relevance, and international comparability but faces challenges related to interpretative inconsistencies and weaker enforcement.

6. Proposal for Global Accounting Standards (GAS)

6.1. A proposed GAS framework would incorporate

- Rule-based enforcement for audit, taxation and fraud prevention.
- Principle-based flexibility for valuation, disclosure and innovation.
- Mandatory ESG and digital reporting.

- Hybrid asset valuation (historical+fair value).
- Global XBRL-based digital reporting system [Figure 5].

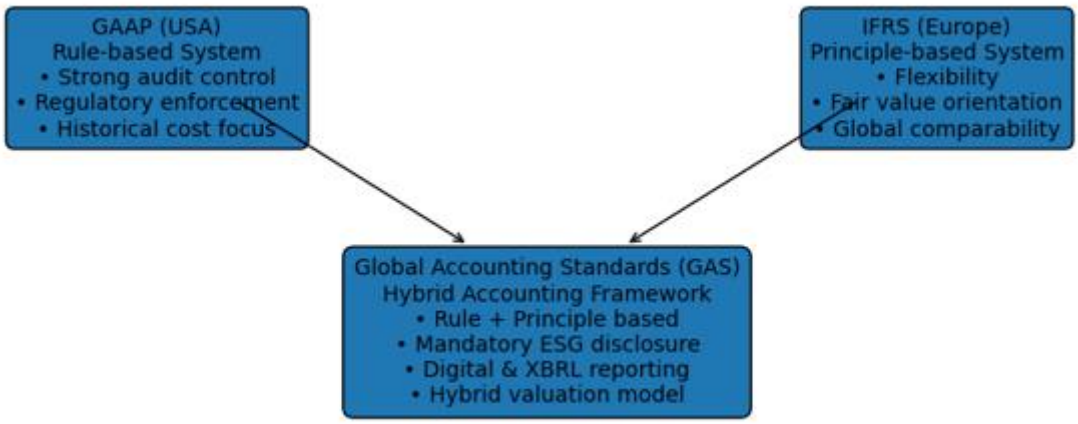

Figure 5: *Conceptual framework of Global Accounting Standards (GAS).*

7. Conclusion

This study concludes that the integration of GAAP and IFRS into a unified global accounting standard could significantly enhance transparency, comparability, and investor confidence in global financial markets. GAS would not replace existing standards immediately but could serve as a convergence framework for future international accounting reforms.

8. Limitations and Future Research

The study relies on secondary data available up to 2024. While the inclusion of 2024 data enhance the timeliness and relevance of the analysis, the absence of finalized 2025 figures limits long-term forecasting accuracy. Future research may incorporate post-2025 firm-level primary data, econometric testing, and empirical validation of GAS adoption outcomes.

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